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14 Archbishop of San Francisco

15 UNITED STATES BANKRUPTCY COURT
16 NORTHERN DISTRICT OF CALIFORNIA, SAN FRANCISCO DIVISION

17 In re

18 THE ROMAN CATHOLIC ARCHBISHOP
19 OF SAN FRANCISCO,

20 Debtor and
21 Debtor in Possession.

Case No. 23-30564

Chapter 11

**DEBTOR'S APPLICATION TO EMPLOY
SHEPPARD, MULLIN, RICHTER &
HAMPTON LLP AS BANKRUPTCY
COUNSEL**

Judge: Hon. Dennis Montali

No Hearing Required

25 The Roman Catholic Archbishop of San Francisco ("RCASF" or "Debtor"), the debtor and
26 debtor in possession in the above-captioned chapter 11 case (the "Bankruptcy Case"), hereby
27 requests authority to employ Sheppard, Mullin, Richter & Hampton LLP ("Sheppard Mullin" or the

1 “Firm”) as co-bankruptcy counsel to the Debtor (the “Application”),¹ and in support of this
2 Application, respectfully represents the following:

3 **BACKGROUND**

4 1. On August 21, 2023, the RCASF filed a voluntary Chapter 11 petition
5 (“Petition Date”). The Debtor remains in possession of its estate, no trustee having been appointed.
6 The Debtor is operating and managing its business as a debtor in possession pursuant to the
7 provisions of sections 1107 and 1108 of the Bankruptcy Code.

8 2. The RCASF filed this Bankruptcy Case to reorganize its financial affairs pursuant to
9 a plan of reorganization that will, among other things, fairly, justly, and equitably compensate
10 survivors of sexual abuse by clergy or others associated with the RCASF and bring healing to
11 survivors, parishioners and others affected by past acts of sexual abuse. The RCASF requires the
12 bankruptcy court’s protection and the protection of the bankruptcy laws to make fair and equitable
13 payment on all of the claims against it, including the claims by survivors of abuse, trade creditors,
14 and others, while continuing its ministries and support it offers to Catholic parishes and
15 communities.

16 3. Additional information regarding the circumstances leading to the commencement
17 of the Bankruptcy Case and information regarding the Debtor’s operations and structure is set forth
18 in the *Declaration of Joseph J. Passarello in Support of Chapter 11 Petition and First Day Motions*
19 (ECF No. 14) and the *Declaration of Paul E. Gaspari in Support of Chapter 11 Petition and First*
20 *Day Motions* (ECF No. 15).

21 **SHEPPARD MULLIN’S QUALIFICATIONS**

22 4. The Debtor seeks to retain Sheppard Mullin as bankruptcy counsel in the Bankruptcy
23 Case because of Sheppard Mullin’s extensive experience and knowledge in the field of debtors’ and
24 creditors’ rights, particularly under chapter 11 of the Bankruptcy Code.

26 ¹ This Application is made pursuant to sections 327 and 330 of title 11 of the United States Code
27 (the “Bankruptcy Code”); Rules 2014, 2016 and 5002 of the Federal Rules of Bankruptcy
28 Procedure (the “Bankruptcy Rules”); and the Guidelines of the Office of the United States Trustee
(“UST Guidelines”). This Application is supported by the *Declaration of Ori Katz in Support of*
Application to Sheppard, Mullin, Richter & Hampton LLP filed herewith (“Katz Declaration”).

5. Sheppard Mullin's bankruptcy and restructuring practice has been a key element of the firm since its founding. Sheppard Mullin has represented its clients in all types of regional, national, and international insolvency matters, ranging from out-of-court loan workouts and financial restructurings to bankruptcy proceedings, committee representations, creditors' rights, and distressed asset acquisitions.

6. Sheppard Mullin's attorneys frequently counsel and represent debtors in financial restructuring matters, as well as in chapter 11 cases and related court proceedings. Sheppard Mullin's bankruptcy attorneys have helped companies in a variety of industries, including real estate, medical and life sciences (including biotech), retail, entertainment, manufacturing, telecommunications, technology, healthcare, and finance. As a large, broad-based commercial law firm, Sheppard Mullin is able to draw on all manner of resources necessary to solve the multidisciplinary problems presented by complex chapter 11 cases. Sheppard Mullin's clients span a wide spectrum, including secured lenders, debtors, lender groups, creditors' committees, indenture trustees, equity holders, bankruptcy trustees, and buyers of distressed assets.

7. The Debtor proposes to employ Sheppard Mullin and Felderstein Fitzgerald Willoughby Pascuzzi & Rios LLP (“FFWPR”) as co-counsels. While FFWPR is a small boutique firm focused on insolvency and commercial litigation and holds special expertise in diocese cases, the Debtor believes that the substantial size and complexity of the Bankruptcy Case will necessitate the involvement of a full-service law firm with the depth and experience of Sheppard Mullin to work alongside FFWPR as its co-counsel. Sheppard Mullin will coordinate and work with FFWPR to guard against unnecessary duplication of services performed or charged to the Debtor’s estate.

SCOPE OF EMPLOYMENT

8. The Debtor and Sheppard Mullin anticipate that if the Court approves the proposed employment, Sheppard Mullin will provide the following services as the Debtor's co-bankruptcy counsel:

a. Advising and assisting the Debtor with respect to compliance with the requirements of the United States Trustee;

1 b. Advising the Debtor with respect to its powers and duties as a debtor in
2 possession;

3 c. Advising the Debtor on the conduct of its Bankruptcy Case including all of
4 the legal and administrative requirements of operating in chapter 11;

5 d. Attending meetings and negotiating with the representatives of creditors and
6 other parties in interest;

7 e. Taking all necessary actions to protect and preserve the Debtor's estate,
8 including assisting litigation counsel in prosecuting actions on the Debtor's behalf,
9 defending any action commenced against the Debtor, and representing the Debtor's interests
10 in negotiations concerning litigation in which the Debtor is involved;

11 f. Preparing pleadings in connection with the Bankruptcy Case, including
12 motions, applications, answers, orders, reports, and papers necessary or otherwise beneficial
13 to the administration of the Debtor's estate;

14 g. Making court appearances on behalf of the Debtor;

15 h. Assisting the Debtor in the formulation, negotiation, confirmation, and
16 implementation of a Chapter 11 plan and any auction, sale or other disposition of assets; and

17 i. Taking such other action and performing such other services as the Debtor
18 may require of Sheppard Mullin in connection with the Bankruptcy Case and any related
19 proceedings.

20 9. In addition to this application, the Debtor has filed, or expects to file shortly,
21 applications to employ: (1) Felderstein Fitzgerald Willoughby Pascuzzi & Rios LLP as co-
22 bankruptcy counsel as noted above; (2) Weinstein & Numbers, LLP as special insurance counsel;
23 (3) Weintraub Tobin as special litigation counsel; and (4) B. Riley as financial advisor. The Debtor
24 also may file applications to employ additional professionals.

25 10. As described in the Katz Declaration, Sheppard Mullin will monitor and coordinate
26 with the other professionals employed by the Debtor in this Bankruptcy Case to ensure a clear
27 delineation of each firm's respective roles in connection with representation of the Debtor in this
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1 case to prevent unnecessary duplication of services and ensure the case is administered in the most
2 efficient fashion possible. Rather than resulting in any extra or unnecessary expense to the Debtor's
3 estate, it is anticipated that the efficient coordination of efforts of the Debtor's attorneys and other
4 professionals will greatly add to the progress and effective administration of the Bankruptcy Case.

5 **DISINTERESTEDNESS**

6 11. Sheppard Mullin maintains a computerized database of its client matters. In
7 connection with the proposed retention of Sheppard Mullin by the Debtor, Sheppard Mullin has
8 performed an internal conflicts search to ensure that Sheppard Mullin does not have a conflict of
9 interest that would prohibit it from representing the Debtor in this matter. As of the date of this
10 Application, Sheppard Mullin has specifically researched its client database to determine whether it
11 had any relationship with the following: (a) the Debtor; (b) all of the parties listed on the Debtor's
12 creditor matrix; and (c) the Hon. Dennis Montali. The disclosures based on that search are discussed
13 in the Katz Declaration.

14 12. As Sheppard Mullin becomes aware of new parties-in-interest being involved in the
15 Bankruptcy Case, including after the Debtor's schedules are filed and reviewed, Sheppard Mullin
16 will file supplemental declarations as needed to update the disclosures made herein and in the Katz
17 Declaration.

18 13. In connection with the conflicts search described above that has already been
19 concluded, Sheppard Mullin makes the following disclosures:

20 a. To the best of Sheppard Mullin's knowledge, information, and belief, and
21 other than as set forth in the Katz Declaration and above, Sheppard Mullin has no interest
22 adverse to the interest of the Debtor's estate or of any class of the Debtor's creditors, either
23 by reason of any direct or indirect relationship to or connection with the Debtor or for any
24 other reason. Pursuant to Bankruptcy Rule 2014(a), the Katz Declaration sets forth Sheppard
25 Mullin's known connections, if any, with the Debtor, the Debtor's creditors, and other
26 known parties-in-interest. The Katz Declaration also discloses the method by which
27 Sheppard Mullin has reviewed its own records and files and has obtained information in
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1 connection with the matters set forth herein. The Katz Declaration also sets forth the manner
2 in which Sheppard Mullin will continue to review its files in connection with this
3 Application to make further disclosures as warranted. Sheppard Mullin believes it is a
4 disinterested person within the meaning of Bankruptcy Code section 101(14).

5 b. To the best of Sheppard Mullin's knowledge, none of the attorneys
6 comprising or employed by Sheppard Mullin are related to any judge of the United States
7 Bankruptcy Court for the Northern District of California.

8 **COMPENSATION**

9 14. Sheppard Mullin has agreed to discount its standard hourly rates by 20% for all
10 attorneys working on this matter. These rates are subject to periodic adjustment to reflect economic
11 and market conditions and increased experience and skill. The following schedule sets forth the
12 hourly rates of the Sheppard Mullin attorneys most likely to render services in this Bankruptcy Case,
13 which rates have been discounted by 20% from Sheppard Mullin's normal and customary hourly
14 rates:

Name	Title	Hourly Rate
Ori Katz	Partner	\$1,084 per hour
Alan H. Martin	Partner	\$956 per hour
Jeannie Kim	Associate	\$756 per hour
Ali Lattner	Associate	\$756 per hour
Gianna Segretti	Associate	\$708 per hour
Koray Erbas	Associate	\$560 per hour

23 15. Sheppard Mullin also will bill the estate for all reasonable and necessary out-of-
24 pocket expenses as permitted by applicable provisions of the Bankruptcy Code, Bankruptcy Rules
25 and the UST Guidelines.

26 16. As set forth in the Katz Declaration, during the 90-day period prior to the Petition
27 Date, Sheppard Mullin received payments and advances in the aggregate amount of \$384,430 for
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1 professional services performed and to be performed, and expenses incurred and to be incurred,
2 including professional services and expenses related to the commencement and prosecution of this
3 Bankruptcy Case. In addition, Sheppard Mullin holds a retainer of \$100,000 (the “Retainer”) in
4 favor of the Debtor to be maintained throughout the Bankruptcy Case. Furthermore, Sheppard
5 Mullin holds a credit balance in favor of the Debtor for professional services performed and to be
6 performed, and expenses incurred and to be incurred, in connection with the Bankruptcy Case in the
7 amount of \$33,102.70 (the “Credit Balance”).

8 17. The Debtor and Sheppard Mullin understand and have agreed that Sheppard Mullin
9 hereafter will apply to the Court for allowance of compensation and reimbursement of expenses in
10 accordance with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the
11 Bankruptcy Local Rules for the United States Bankruptcy Court for the Northern District of
12 California (the “Bankruptcy Local Rules”), the *United States Bankruptcy Court Northern District*
13 *of California Guidelines for Compensation and Expense Reimbursement of Professionals and*
14 *Trustees, effective February 19, 2014* (the “Local Guidelines”), the *U.S. Trustee Guidelines for*
15 *Reviewing Applications for Compensation and Reimbursement of Expenses Filed under 11 U.S.C.*
16 *§ 330* (the “U.S. Trustee Guidelines,” and together with the Local Guidelines, the “Fee Guidelines”),
17 and any further Orders of the Court (the “Orders”) for all professional services performed and
18 expenses incurred after the Petition Date. Notwithstanding anything to the contrary contained in
19 this Application and its supporting papers, Sheppard Mullin acknowledges that the relevant
20 provisions of the Bankruptcy Code, Bankruptcy Rules, Bankruptcy Local Rules, Local Guidelines
21 and the Fee Guidelines will apply and prevail.

22 18. These rates are subject to periodic increase, usually at the beginning of each calendar
23 year. Such changes will be noted on the billing statements for the first time period in which the
24 revised rates become effective.

25 19. The following constitutes the statement of Sheppard Mullin required by section 1103
26 of the Bankruptcy Code and Bankruptcy Rule 2014(a) and the U.S. Trustee’s Guidelines for
27 Employment Applications in larger Chapter 11 cases (“UST Large Case Fee Guidelines”) and to
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answer the specific questions posed in section D.1 of the UST Large Case Fee Guidelines:

a. Sheppard Mullin has agreed to discount its standard hourly attorney rates by 20%. Neither Sheppard Mullin nor any attorneys at Sheppard Mullin have otherwise altered their standard billing rates for this engagement, or made any adjustments based upon the geographic location of the case.

b. Sheppard Mullin's representation of the RCASF prior to the Petition Date was on the same terms and rates as set forth in this Application.

c. Any increase in applicable rates that may occur during the pendency of the case will be disclosed in accordance with the UST Large Case Fee Guidelines.

20. Sheppard Mullin has prepared and discussed with the RCASF a proposed estimated budget and a staffing plan. The RCASF has approved the staffing plan and budgets for post-petition period for August through December 2023, understanding that the budgets are estimates based upon the current agreed upon case strategy and information known to date.

CONCLUSION

21. The Debtor believes it is essential that Sheppard Mullin be employed to provide the services described above and that Sheppard Mullin be permitted to bill on an hourly basis, subject to the requirements of the Bankruptcy Code for Court approval of professional fees.

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1 WHEREFORE, based upon the foregoing, the Debtor requests that the Court enter an order
2 authorizing:

- 3 1. The employment of Sheppard Mullin as its co-bankruptcy counsel herein on the
4 terms and conditions set forth above pursuant to section 327(a);
5 2. The employment to be effective as of the Petition Date; and
6 3. For such other and further relief as the Court may deem proper in the circumstances.

7 Dated: September 15, 2023

8 THE ROMAN CATHOLIC ARCHBISHOP
9 OF SAN FRANCISCO

10 By



11 Fr. Patrick Summerhays,
12 Vicar General and Moderator of the Curia

13 SUBMITTED BY:

14 Dated: September 18, 2023

SHEPPARD, MULLIN, RICHTER & HAMPTON LLP

15
16 By /s/ Ori Katz

17 ORI KATZ
18 ALAN H. MARTIN
19 Proposed Attorneys for The Roman Catholic
20 Archbishop of San Francisco
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